

City of Torrington Tax Collection Presentation

September, 2014



Opening Statement

- “The tax collector is responsible for running an office with concern for the bottom line – the collection rate; for case management; for accuracy and accounts in balance; for the security of the office and its personnel; and for the quality of the personal contact with taxpayers.”

Handbook for Connecticut Tax Collectors by Edward T. Dowling

Background

- Private Tax Collection for the City of Torrington was established by CT Special Act 1923, #374
- For the past 90 years, with the exception of the years in which a company named Angram served as tax collector, our current tax collection model has been successful. Each contract presents an opportunity to improve tax collection.

Contract

- The terms of tax collection for the City of Torrington are dictated by contract, charter, state statute, and special acts
- In 1999, the city and Robert Thomas Crovo entered into a contract for tax collection services. Dr. Crovo immediately began rebuilding tax collection procedures previously left in disarray by Ingram
- July 2011, City of Torrington and Robert Crovo entered into the current (fourth) contract term. Copy provided.
- Contract can and has been amended as needed

Benefits to City

- 100% Tax Collection Rate
- Favorable bond rating (Aa3), resulting from 100% tax collection rate
- Allows for seamless execution of tax foreclosures, bank executions, jeopardy tax collection, etc
- City unburdened with bounced checks, DMV reporting, lien filing, mailing cost, constable services, & staff salaries and benefits

Drawbacks

- Private tax collector may be more aggressive at tax collection than appointed or elected tax collector
- Office may not be as responsive to the public as an appointed or elected official would be
- Supervision of office operations of the tax collector are limited to management under the terms of the contract

Forensic Accounting Investigation Report

Major Findings

Deposit of Funds

- Funds collected by Tax Collector were not deposited in the name of the city, as required by C.G.S.A §12-147, instead they were deposited in a business account titled “R. Thomas Crovo, Tax Collector LLC”
- **NOTE:** 100% of all taxes and sewer fees due on the rate books issued by the Board of Finance and delivered to the Tax Collector were paid on time and in full. Without exception.

Deposit of Funds

Context

- C.G.S.A. §12-147 states that “All moneys collected by the collector or his duly appointed agent in taxes and interest, penalties, fees and charges and lien fees thereon, during the period in which they are held by the collector . . . Shall be deposited **at least weekly** . . . in the name of the municipality”
- Tax Collector Contract paragraph 1.4 requires the Tax Collector make **daily deposits** equal to prior days receipt of taxes and sewer user fees to the City Treasurer . . .

Deposit of Funds Going Forward

- Contractual terms will provide that funds collected and deposited will be done so in accordance with C.G.S.A. §12-147 and §7-402

Major Finding

Refund of Excess Payments

- “Procedurally, the Tax Collector has been refunding excess payments through his checking account. This procedure is not in accordance with C.G.S.A. §12-129...”

Refund of Excess Payments

Context

- Per Contract provisions contained in paragraph 1.8 “...Such refunds would be made directly without notation in the rate book and without the need for an annual report to the city”

Refund of Excess Payment Going Forward

- Pending negotiation of refunding procedures, the city has requested tax collector turn over to his attorney, to be held in escrow, the unclaimed overpayments that were due to expire on July 1, 2014 (\$86,253.35)
- The city will also negotiate the refund of overpayments on the Grand List years 2011 (\$156,609.42) and 2012 (\$273,891.08) prior to the expiration of the three-year claim period as provided by C.G.S.A. §12-129
- Future contracts must include provisions that all overpayments will be turned over to the city and all efforts will be made by the city to refund the overpayments in accordance with C.G.S.A. §12-129.

Major Findings

Interest on Uncollected Taxes

- Per Special Acts 1931 No. 4, Section 5, the tax collector “purchases” the current Grand List outstanding tax receivable on the first Monday in November and the first Monday in May each year, and asserts that interest collected prior to those dates does not belong to the tax collector

Interest on Uncollected Taxes

Context

- Per Torrington City Charter §14-3: "... Collector... shall have all rights of action for the collection of unpaid taxes which said City would have under the laws of this state and may proceed in any such action in the name of the town or City, and such unpaid tax, when collected, shall belong to said Collector.
- Per C.G.S.A. §12-146. Tax, when delinquent. Interest. "Each addition of interest shall become, and shall be collectible as a part of such tax".
- NOTE: See Memorandum of Opinion dated August 28, 2014 prepared by Corporation Counsel (Exhibit 3)

Interest on Uncollected Taxes Going Forward

- Contract language should clearly define expectations regarding interest collection.

By the Numbers

Taxes Collected

GL Year	% Collected	Total Amount Due	Amt Collected by TC	Unpaid taxes: Amount paid by Tax Collector to City to fulfill 100% obligation
2006	97.48	\$65,083,609.74	\$63,441,929.04	\$1,641,680.70
2007	97.70	\$68,667,818.86	\$67,085,902.04	\$1,581,916.82
2008	97.25	\$68,680,000.78	\$66,788,216.33	\$1,891,784.45
2009	97.04	\$75,648,968.42	\$73,411,640.42	\$2,237,328.00
2010	97.18	\$76,366,984.52	\$74,213,071.31	\$2,153,913.21
2011	98.00	\$79,225,876.09	\$77,637,990.87	\$1,587,885.22

By the Numbers

Sewer Fees Collected

GL Year	% Collected	Total Amount Due	Amount Collected by TC	Unpaid Fees: Amount paid by Tax Collector to City of fulfill 100% obligation
2006	91.59	\$3,033,753.90	\$2,778,724.39	\$255,029.51
2007	91.51	\$3,370,725.89	\$3,084,631.44	\$286,097.45
2008	89.30	\$3,440,669.34	\$3,072,632.04	\$368,037.30
2009	86.03	\$3,399,068.95	\$2,924,270.86	\$474,798.09
2010	87.86	\$3,441,099.20	\$3,023,184.46	\$417,914.74
2011	88.50	\$3,465,440.33	\$3,067,063.72	\$398,376.61

By the Numbers

Interest Collected

Grand List Year	Total Interest Collected (@ 18%)
(2004)1/2006-6/2006	\$85,620.33
2005	\$470,049.65
2006	\$749,334.66
2007	\$955,703.31
2008	\$869,686.73
2009	\$913,364.28
2010	\$1,239,782.13
2011	\$1,237,095.11
(2012)7/2013-1/2014	\$669,235.00

By the Numbers

Collection Fees Charged to Taxpayers

Grand List Year	Total Fees Collected – with a few exceptions, these are reimbursement for costs advanced by Tax Collector
(2004)1/2006-6/2006	\$535.95
2005	\$1,319.65
2006	\$8,180.73
2007	\$24,686.42
2008	\$26,471.73
2009	\$1,360.65
2010	\$2,871.74
2011	\$57,289.68
(2012)7/2013-1/2014	\$56,395.40

By the Numbers

Lien Fees

Grand List Year	Total Lien Fees Collected – all reimbursement for filing fees advanced by Tax Collector
(2004)1/2006-6/2006	\$10,111.22
2005	\$23,174.44
2006	\$29,773.52
2007	\$34,646.28
2008	\$32,793.14
2009	\$31,861.35
2010	\$61,631.96
2011	\$54,567.29
(2012)7/2013-1/2014	\$43,081.79

By the Numbers

Outstanding Tax & Interest Owed

- The total outstanding taxes and interest through /24/2014 \$31,280,219.23**

NOTE: Because this Investigation Report ends during the collection period for the GL 2012, additional information should be sought to determine estimated exposure under Paragraph 11 of Tax Collector's Contract.

By the Numbers

Overpayments

● Overpayments retained by Tax Collector (un-refunded after the expiration of the claim period) for the Grand List years:

• GL 2004	\$164,366.03
• GL 2005	\$162,279.53
• GL 2006	\$135,253.50
• GL 2007	\$179,753.62
• GL 2008	\$102,798.93
• GL 2009	\$194,241.06

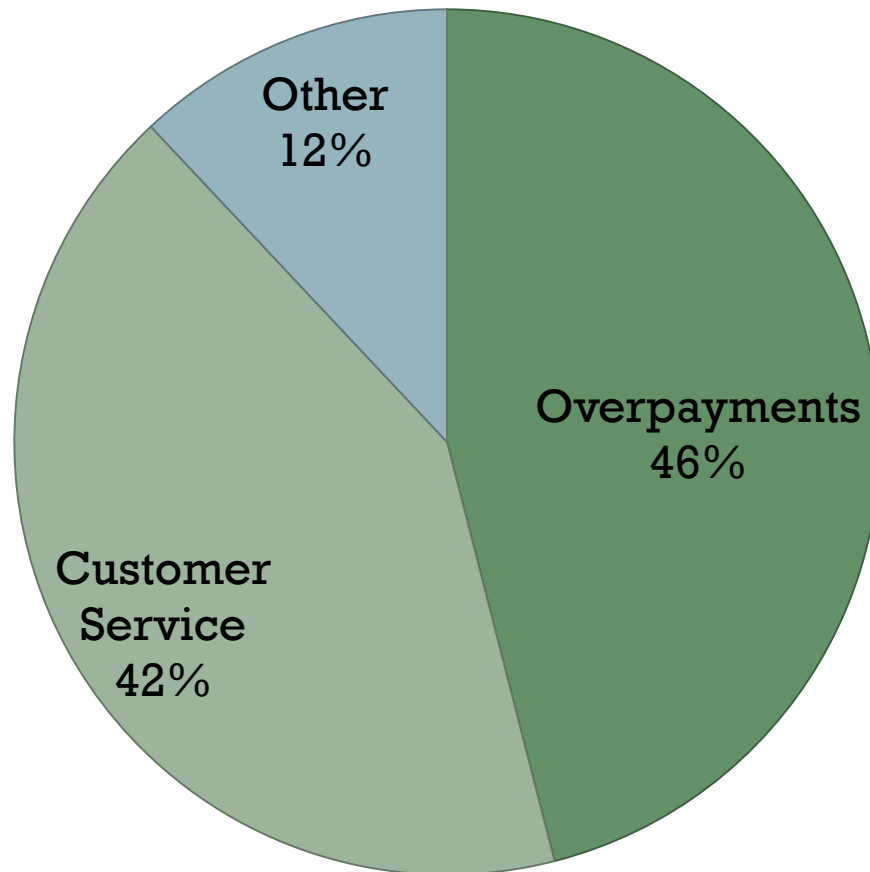
By the Numbers

Overpayments

- Overpayments for which repayment terms will be negotiated:

• GL 2010	\$ 86,253.35
• GL 2011	\$156,609.42
• GL 2012	\$273,891.08

Complaints



Complaints

- 56 Complaints received by Mayor's Office between February 2013-Present
- Total # of tax accounts billed by tax collector: 65,795
- Percentage of Complaints: 0.09%
- All complaints, regardless of number are important and deserve full attention

Complaints Overpayments

- If unclaimed after 3 years, historically, all overpayments of taxes have been retained by Tax Collector
- In 2011, under Mayor Bingham, the city attempted to make the system more transparent by requiring the tax collector post all overpayments online 3 months prior to the 3-year expiration date

Complaints Overpayments

- In May of 2013, in an attempt to make information regarding overpayments more accessible to taxpayers, 952 notices were mailed by the City to taxpayers notifying them that they may be entitled to a refund
- Letters resulted in ensuing litigation filed by Tax Collector against the city

Complaints Overpayments

- Prior to October 2013, the disposition of unclaimed overpayments varied greatly from municipality to municipality – some municipalities kept the funds, others turned them over to the State of Connecticut in accordance with statutes governing abandoned property.

Customer Service

- Nearly half of the 56 complaints received were in regard to customer service
- Many complainants reported unprofessional and discourteous treatment by Tax Office Manager

Next Steps

- All taxpayers and residents deserve to be treated in a professional and respectful way

Next Steps

Current Contract

- Current contract expires May 2015
- The city will seek an immediate reformation of current contract to include language that requires all overpayments be turned over to the City, and the City will process applications for refunds in accordance with state statute
- The City will seek to establish an Ombudsman that will work with the Tax collector's office and the Mayor's Office providing oversight of procedures and policies and field complaints
- The Tax Collector will publish all policies in accordance with Contract provisions, which policies will also be posted on the City website.

Next Steps

Current Contract

- Tax Collector and City staff, consisting of Mayor, Treasurer, Assessor, member of Finance Department and Ombudsman will meet on a monthly basis to discuss tax collection matters.
- Sewer fee information and the ability to pay sewer fees will be made accessible online as soon as possible.

Next Steps

New Contract

- The last RFP process for Tax Collection commenced in December prior to the expiration of the contract term.
- In an effort to provide ample opportunity for potential bidders to review bid specs, contract terms and other relevant information regarding tax collection, the City has prepared and will proceed with the immediate issuance of a Request for Qualification

Conclusion

- City is committed to addressing ongoing issues with the office of the Tax Collector and working to restore confidence that tax collection is being done in accordance with state statute, that tax payers are treated respectfully and professionally, and that tax and sewer records are easily accessible to all taxpayers